

## **Statement of Jesse Noel**

*Director, Environmental and Regulatory Affairs  
Westmoreland Mining LLC  
Before the Montana State Legislature  
2021-2022 Revenue Interim Committee*

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### **Introduction:**

Committee members, committee Chair, thank you for hearing my testimony today. My name is Jesse Noel representing Westmoreland Mining LLC. Westmoreland Mining LLC owns the Absaloka, Savage, and Rosebud Mines in Montana. I am the Environmental and Regulatory Affairs Director for Westmoreland Mining and have worked personally at all the Montana mines over my 24-year history with Westmoreland in several capacities. I would like to cover two topics at our Montana properties, coal sales and the effect of the Severance Tax. My hope today is that I can give you facts that will help shape your decisions in the future.

### **Coal Sales:**

Coal at the Absaloka Mine is owned by the Crow Tribe. Production is forecast at approximately 1.5 million tons over the next three years. Coal is shipped to the Sherburne County Generating Station in Becker, Minnesota (Xcel Energy); to Rocky Mountain Power in Hardin, Montana; and to Wyoming Lime in Frannie, Wyoming. Contracts have come and gone at the Absaloka Mine, but coal production was just over 7.0 million tons in 2014, which is a reduction of approximately 80% of coal sales over the last seven years.

The Savage Mine projects coal sales of roughly 50,000 tons per year over the next 3 years. Coal is shipped to Sidney Sugars in Sidney Montana. Coal production to the Lewis & Clark Generating station ended in March of 2021. Closure of the Lewis & Clark Station represents a nearly 90% reduction in coal sales from the Savage Mine. It is possible that the contract with Sidney Sugars will be extended, but the plans now are for the Sugar plant to switch their fuel source to natural gas in 2024. Given the recent rise in natural gas prices from under \$2 per million BTU in 2019 to over \$5 per million BTU currently, there may be coal cost advantage once our current contract has expired.

The Rosebud Mine projects coal sales of just under 6,000,000 tons per year over the next 4 years. It is very difficult to forecast coal production after 2025 given the multitude of political and regulatory challenges that exist for the current owners of Units 3&4 in Colstrip. Westmoreland's goal is to reduce costs beyond 2025 to ensure potential coal production is as cost effective as possible. With the shutdown of Units 1&2 in 2019, coal production from the Rosebud Mine decreased by approximately one-third.

### **Effects of the Severance Tax:**

I have just outlined a general coal sales theme with Westmoreland in Montana. Coal production is decreasing and, thus, Severance Taxes paid by Westmoreland have decreased. Given Westmoreland's desire that coal production remains a vital economic engine for Montana, we

really need to look at the disadvantage of the tax to future coal production. Generally, coal competition comes from Wyoming coal production. Wyoming currently has a 7% Severance tax on coal sales. As you are all aware, Montana's coal Severance tax is at 15%.

Let's discuss the Statewide severance tax paid per ton in 2020. In 2020, Montana received \$46,755,000 in coal severance taxes, and sold approximately 26.5 million tons of coal. Dividing the tax total by the tons sold equates to \$1.76 per ton of coal sold. If the Severance tax were to match Wyoming's tax, the tax would equate to \$0.82 per ton of coal sold (e.g., a savings of \$0.94 per ton of coal). You all may be wondering why a reduction in taxes is good for the State of Montana

The Absaloka Mine is a unique mine when compared to the Rosebud and Savage Mines in Montana. Because the Crow Tribe owns the coal at the Absaloka Mine, all Gross proceeds and Severance Taxes go directly with the Tribe.

As mentioned earlier, the Savage mine ceased production at the Lewis & Clark Generating Station in March of this year. MDU's choice to switch to natural gas was because of the slight cost advantage in 2018 when comparing natural gas to coal. After several PSC meetings and hearings, Westmoreland estimated that the coal savings that MDU had proposed were less than the equivalent of \$0.50 per ton of coal. If a lower severance tax was in place, the cost advantage clearly would have been to extend the coal contract. The lower tax combined with the higher natural gas prices clearly would have kept the mine operating at a higher production rate. The effect would have been at least 20 high paying jobs in Richland County not including a multiplier of 3.5 jobs that would have supported the mine. Montana has lost continuing Gross Proceeds Taxes to the State of Montana and Richland County, continuing Gross Proceeds Taxes to the State, continuing Resource Indemnity Trust Taxes to the State, continuing Royalties at the U.S. (half of which come back to the State), continuing royalties to affected landowners, continuing property taxes to the State (both from the mine and from those living in the area), and continuing personal income tax to the State.

The Savage Mine is a look-back at what the State could have done. Looking forward, I don't think the State of Montana wants to repeat the failure of the Savage Mine at the Rosebud Mine. We need to work together to ensure the revenue streams mentioned with the Savage Mine continue to pour into State coffers. We need to ensure that we are cost competitive with States that would love to take our jobs and revenue streams. It would personally break my heart to see Colstrip Units 3&4 close in 2026 because of one Montana's inequitable tax policy. A reduction in the severance tax would at least give the State a shot at continuing to mine coal into the future and continue to add revenue to the Coal Tax Trust Fund.

Thank you inviting me to testify before you today. There is strong opportunity with coal in Montana; we just need to level the playing field. I hope my testimony was useful; I am happy to answer any questions you may have.